

AN ACT in relation to public employee benefits.

Be it enacted by the People of the State of Illinois,  
represented in the General Assembly:

Section 5. The Illinois Pension Code is amended by changing Sections 1-119, 15-107, 15-112, 15-113.3, 15-134, 15-136, 15-153, 15-154, 15-158.2, 15-186.1, 15-187, and 15-190 as follows:

(40 ILCS 5/1-119)

Sec. 1-119. Qualified Illinois Domestic Relations Orders.

(a) For the purposes of this Section:

(1) "Alternate payee" means the spouse, former spouse, child, or other dependent of a member, as designated in a QILDRO.

(2) "Death benefit" means any nonperiodic benefit payable upon the death of a member to a survivor of the member or to the member's estate or designated beneficiary, including any refund of contributions following the member's death, whether or not the benefit is so called under the applicable Article of this Code.

(3) "Disability benefit" means any periodic or nonperiodic benefit payable to a disabled member based on occupational or nonoccupational disability or disease, including any periodic or nonperiodic increases in the benefit, whether or not the benefit is so called under the applicable Article of this Code.

(4) "Member" means any person who participates in or has service credits in a retirement system, including a person who is receiving or is eligible to receive a retirement or disability benefit, without regard to whether the person has withdrawn from service.

(5) "Member's refund" means a return of all or a portion of a member's contributions that is elected by the member (or provided by operation of law) and is payable before the member's death.

(6) "Qualified Illinois Domestic Relations Order" or "QILDRO" means an Illinois court order that creates or recognizes the existence of an alternate payee's right to receive all or a portion of a member's accrued benefits in a retirement system, is issued pursuant to this Section and Section 503(b)(2) of the Illinois Marriage and Dissolution of Marriage Act, and meets the requirements of this Section. A QILDRO is not the same as a qualified domestic relations order or QDRO issued pursuant to Section 414(p) of the Internal Revenue Code of 1986. The requirements of paragraphs (2) and (3) of that Section do not apply to orders issued under this Section and shall not be deemed a guide to the interpretation of this Section; a QILDRO is intended to be a domestic relations order within the meaning of paragraph (11) of that Section.

(7) "Regular payee" means the person to whom a benefit would be payable in the absence of an effective QILDRO.

(8) "Retirement benefit" means any periodic or nonperiodic benefit payable to a retired member based on age or service, or on the amounts accumulated to the credit of the member for retirement purposes, including any periodic or nonperiodic increases in the benefit, whether or not the benefit is so called under the applicable Article of this Code.

(9) "Retirement system" or "system" means any retirement system, pension fund, or other public employee retirement benefit plan that is maintained or established under any of Articles 2 through 18 of this Code.

(10) "Surviving spouse" means the spouse of a member at the time of the member's death.

(11) "Survivor's benefit" means any periodic benefit payable to a surviving spouse, child, parent, or other survivor of a deceased member, including any periodic or nonperiodic increases in the benefit, whether or not the benefit is so called under the applicable Article of this Code.

(b) (1) An Illinois court of competent jurisdiction in a proceeding for declaration of invalidity of marriage, legal separation, or dissolution of marriage that provides for the distribution of property, or any proceeding to amend or enforce such a property distribution, may order that all or any part of any (i) retirement benefit or (ii) member's refund payable to or on behalf of the member be instead paid by the retirement system to a designated alternate payee.

(2) An order issued under this Section provides only for the diversion to an alternate payee of certain benefits otherwise payable by the retirement system under the provisions of this Code. The existence of a QILDRO shall not cause the retirement system to pay any benefit, or any amount of benefit, to an alternate payee that would not have been payable by the system to a regular payee in the absence of the QILDRO.

(3) A QILDRO shall not affect the vesting, accrual, or amount of any benefit, nor the date or conditions upon which any benefit becomes payable, nor the right of the member or the member's survivors to make any election otherwise authorized under this Code, except as provided in subsections (i) and (j).

(4) A QILDRO shall not apply to or affect the payment of any survivor's benefit, death benefit, disability benefit, life insurance benefit, or health insurance benefit.

(c) (1) A QILDRO must contain the name, residence

address, and social security number of the member and of the alternate payee and must identify the retirement system to which it is directed and the court issuing the order.

(2) A QILDRO must specify each benefit to which it applies, and it must specify the amount of the benefit to be paid to the alternate payee, which in the case of a nonperiodic benefit shall be expressed as a dollar amount (except that a nonperiodic benefit payable to an alternate payee of a participant in the self-managed plan authorized under Article 15 of this Code may be expressed as a dollar amount or as a percentage of the participant's account), and in the case of a periodic benefit shall be expressed as a dollar amount per month.

(3) With respect to each benefit to which it applies, a QILDRO must specify when the order will take effect. In the case of a periodic benefit that is being paid at the time the order is received, a QILDRO shall take effect immediately or on a specified later date; if it takes effect immediately, it shall become effective on the first benefit payment date occurring at least 30 days after the order is received by the retirement system. In the case of any other benefit, a QILDRO shall take effect when the benefit becomes payable, except that a lump-sum benefit payable to an alternate payee of a participant in the self-managed plan authorized under Article 15 of this Code may be paid upon the request of the alternate payee. However, in no event shall a QILDRO apply to any benefit paid by the retirement system before or within 30 days after the order is received. A retirement system may adopt rules to prorate the amount of the first and final periodic payments to an alternate payee.

(4) A QILDRO must also contain any provisions required under subsection (n) or (p).

(d) (1) An order issued under this Section shall not be implemented unless a certified copy of the order has been

filed with the retirement system. The system shall promptly notify the member and the alternate payee by first class mail of its receipt of the order.

(2) Neither the retirement system, nor its board, nor any of its employees shall be liable to the member, the regular payee, or any other person for any amount of a benefit that is paid in good faith to an alternate payee in accordance with a QILDRO.

(3) At the time the order is submitted to the retirement system, it shall be accompanied by a nonrefundable \$50 processing fee payable to the retirement system, to be used by the system to defer any administrative costs arising out of the implementation of the QILDRO.

(e) (1) Each alternate payee is responsible for maintaining a current residence address on file with the retirement system. The retirement system shall have no duty to attempt to locate any alternate payee by any means other than sending written notice to the last known address of the alternate payee on file with the system.

(2) In the event that the system cannot locate an alternate payee when a benefit becomes payable, the system shall hold the amount of the benefit payable to the alternate payee and make payment to the alternate payee if he or she is located within the following 180 days. If the alternate payee has not been located within 180 days from the date the benefit becomes payable, the system shall pay the benefit and the amounts held to the regular payee. If the alternate payee is subsequently located, the system shall thereupon implement the QILDRO, but the interest of the alternate payee in any amounts already paid to the regular payee shall be extinguished. Amounts held under this subsection shall not bear interest.

(f) (1) If the amount of a benefit that is specified in a QILDRO for payment to an alternate payee exceeds the

actual amount of that benefit payable by the retirement system, the excess shall be disregarded. The retirement system shall have no liability to any alternate payee or any other person for the disregarded amounts.

(2) In the event of multiple QILDROs against a member, the retirement system shall honor all of the QILDROs to the extent possible. However, if the total amount of a benefit to be paid to alternate payees under all QILDROs in effect against the member exceeds the actual amount of that benefit payable by the system, the QILDROs shall be satisfied in the order of their receipt by the system until the amount of the benefit is exhausted, and shall not be adjusted pro rata. Any amounts that cannot be paid due to exhaustion of the benefit shall remain unpaid, and the retirement system shall have no liability to any alternate payee or any other person for such amounts.

(3) A modification of a QILDRO shall be filed with the retirement system in the same manner as a new QILDRO. A modification that does not increase the amount of any benefit payable to the alternate payee, and does not expand the QILDRO to affect any benefit not affected by the unmodified QILDRO, does not affect the priority of payment under subdivision (f)(2); the priority of payment of a QILDRO that has been modified to increase the amount of any benefit payable to the alternate payee, or to expand the QILDRO to affect a benefit not affected by the unmodified QILDRO, shall be based on the date on which the system receives the modification of the QILDRO.

(g) (1) Upon the death of the alternate payee under a QILDRO, the QILDRO shall expire and cease to be effective, and in the absence of another QILDRO, the right to receive any affected benefit shall revert to the regular payee.

(2) All QILDROs relating to a member's participation in a particular retirement system shall expire and cease to be

effective upon the issuance of a member's refund that terminates the member's participation in that retirement system, without regard to whether the refund was paid to the member or to an alternate payee under a QILDRO. An expired QILDRO shall not be automatically revived by any subsequent return by the member to service under that retirement system.

(h) (1) Within 45 days after receiving a subpoena from any party to a proceeding for declaration of invalidity of marriage, legal separation, or dissolution of marriage in which a QILDRO may be issued, or after receiving a request from the member, a retirement system shall issue a statement of a member's accumulated contributions, accrued benefits, and other interests in the plan administered by the retirement system based on the data on file with the system on the date the subpoena is received, and of any relevant procedures, rules, or modifications to the model QILDRO form that have been adopted by the retirement system.

(2) In no event shall the retirement system be required to furnish to any person an actuarial opinion as to the present value of the member's benefits or other interests.

(3) The papers, entries, and records, or parts thereof, of any retirement system may be proved by a copy thereof, certified under the signature of the secretary of the system or other duly appointed keeper of the records of the system and the corporate seal, if any.

(i) In a retirement system in which a member or beneficiary is required to apply to the system for payment of a benefit, the required application may be made by an alternate payee who is entitled to all of that benefit under a QILDRO, provided that all other qualifications and requirements have been met. However, the alternate payee may not make the required application for a member's refund or a retirement benefit if the member is in active service or below the minimum age for receiving an undiscounted

retirement annuity in the retirement system that has received the QILDRO or in any other retirement system in which the member has creditable service and in which the member's rights under the Retirement Systems Reciprocal Act would be affected as a result of the alternate payee's application for a member's refund or retirement benefit.

(j) (1) So long as there is in effect a QILDRO relating to a member's retirement benefit, the affected member may not elect a form of payment that has the effect of diminishing the amount of the payment to which any alternate payee is entitled, unless the alternate payee has consented to the election in writing and this consent has been filed with the retirement system.

(2) If a member attempts to make an election prohibited under subdivision (j)(1), the retirement system shall reject the election and advise the member of the need to obtain the alternate payee's consent.

(3) If a retirement system discovers that it has mistakenly allowed an election prohibited under subdivision (j)(1), it shall thereupon disallow that election and recalculate any benefits affected thereby. If the system determines that an amount paid to a regular payee should have been paid to an alternate payee, the system shall, if possible, recoup the amounts as provided in subsection (k) of this Section.

(k) In the event that a regular payee or an alternate payee is overpaid, the retirement system shall recoup the amounts by deducting the overpayment from future payments and making payment to the other payee. The system may make deductions for recoupment over a period of time in the same manner as is provided by law or rule for the recoupment of other amounts incorrectly disbursed by the system in instances not involving a QILDRO. The retirement system shall incur no liability to either the alternate payee or the

regular payee as a result of any payment made in good faith, regardless of whether the system is able to accomplish recoupment.

(1) (1) A retirement system that has, before the effective date of this Section, received and implemented a domestic relations order that directs payment of a benefit to a person other than the regular payee may continue to implement that order, and shall not be liable to the regular payee for any amounts paid in good faith to that other person in accordance with the order.

(2) A domestic relations order directing payment of a benefit to a person other than the regular payee that was issued by a court but not implemented by a retirement system prior to the effective date of this Section shall be void. However, a person who is the beneficiary or alternate payee of a domestic relations order that is rendered void under this subsection may petition the court that issued the order for an amended order that complies with this Section.

(m) (1) In accordance with Article XIII, Section 5 of the Illinois Constitution, which prohibits the impairment or diminishment of benefits granted under this Code, a QILDRO issued against a member of a retirement system established under an Article of this Code that exempts the payment of benefits or refunds from attachment, garnishment, judgment or other legal process shall not be effective without the written consent of the member if the member began participating in the retirement system on or before the effective date of this Section. That consent must specify the retirement system, the court case number, and the names and social security numbers of the member and the alternate payee. The consent must accompany the QILDRO when it is filed with the retirement system, and must be in substantially the following form:

CONSENT TO ISSUANCE OF QILDRO

Court Case Number: .....

Member's Social Security Number: .....

Alternate payee's Social Security Number: .....

I, (name), a member of the (retirement system), hereby consent to the issuance of a Qualified Illinois Domestic Relations Order. I understand that under the Order, certain benefits that would otherwise be payable to me, or to my surviving spouse or estate, will instead be payable to (name of alternate payee). I also understand that my right to elect certain forms of payment of my retirement benefit or member's refund may be limited as a result of the Order.

DATED:.....

SIGNED:.....

(2) A member's consent to the issuance of a QILDRO shall be irrevocable, and shall apply to any QILDRO that pertains to the alternate payee and retirement system named in the consent.

(n) An order issued under this Section shall be in substantially the following form (omitting any provisions that are not applicable):

QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDER

THIS CAUSE coming before the Court for the purpose of the entry of a Qualified Illinois Domestic Relations Order under the provisions of Section 1-119 of the Illinois Pension Code, the Court having jurisdiction over the parties and the subject matter hereof; the Court finding that one of the parties to this proceeding is a member of a retirement system subject to Section 1-119 of the Illinois Pension Code, this Order is entered to implement a division of that party's interest in the retirement system; and the Court being fully advised;

IT IS HEREBY ORDERED AS FOLLOWS:

(1) The definitions and other provisions of Section

1-119 of the Illinois Pension Code are adopted by reference and made a part of this Order.

(2) Identification of Retirement System and parties:

Retirement System: (name and address)

Member: (name, residence address and social security number)

Alternate payee: (name, residence address and social security number)

(3) The Retirement System shall pay the indicated amounts of the following specified benefits to the alternate payee under the following terms and conditions:

(i) Of the member's retirement benefit, the Retirement System shall pay to the alternate payee \$..... per month, beginning (if the benefit is already being paid, either immediately or on a specified later date; otherwise, on the date the retirement benefit commences), and ending upon the termination of the retirement benefit or the death of the alternate payee, whichever occurs first.

(ii) Of any member's refund that becomes payable, the Retirement System shall pay to the alternate payee \$..... when the member's refund becomes payable.

(4) In accordance with subsection (j) of Section 1-119 of the Illinois Pension Code, so long as this QILDRO is in effect, the member may not elect a form of payment of the retirement benefit that has the effect of diminishing the amount of the payment to which the alternate payee is entitled, unless the alternate payee has consented to the election in writing and this consent has been filed with the retirement system.

(5) If the member began participating in the Retirement System before the effective date of this Section, this Order shall not take effect unless accompanied by the written consent of the member as required under subsection (m) of

Section 1-119 of the Illinois Pension Code.

(6) The Court retains jurisdiction to modify this Order.

DATED:.....

SIGNED:.....

(o) (1) A court in Illinois that has issued a QILDRO shall retain jurisdiction of all issues relating to the modification of the QILDRO. The Administrative Review Law and the rules adopted pursuant thereto shall govern and apply to all proceedings for judicial review of final administrative decisions of the board of trustees of the retirement system arising under this Section.

(2) The term "administrative decision" is defined as in Section 3-101 of the Code of Civil Procedure. The venue for review under the Administrative Review Law shall be the same as is provided by law for judicial review of other administrative decisions of the retirement system.

(p) (1) Each retirement system may adopt any procedures or rules that it deems necessary or useful for the implementation of this Section.

(2) Each retirement system may by rule modify the model QILDRO form provided in subsection (n) or require that additional information be included in QILDROs presented to the system, as may be necessary to meet the needs of the retirement system.

(Source: P.A. 90-731, eff. 7-1-99.)

(40 ILCS 5/15-107) (from Ch. 108 1/2, par. 15-107)

Sec. 15-107. Employee.

(a) "Employee" means any member of the educational, administrative, secretarial, clerical, mechanical, labor or other staff of an employer whose employment is permanent and continuous or who is employed in a position in which services are expected to be rendered on a continuous basis for at

least 4 months or one academic term, whichever is less, who (A) receives payment for personal services on a warrant issued pursuant to a payroll voucher certified by an employer and drawn by the State Comptroller upon the State Treasurer or by an employer upon trust, federal or other funds, or (B) is on a leave of absence without pay. Employment which is irregular, intermittent or temporary shall not be considered continuous for purposes of this paragraph.

However, a person is not an "employee" if he or she:

(1) is a student enrolled in and regularly attending classes in a college or university which is an employer, and is employed on a temporary basis at less than full time;

(2) is currently receiving a retirement annuity or a disability retirement annuity under Section 15-153.2 from this System;

(3) is on a military leave of absence;

(4) is eligible to participate in the Federal Civil Service Retirement System and is currently making contributions to that system based upon earnings paid by an employer;

(5) is on leave of absence without pay for more than 60 days immediately following termination of disability benefits under this Article;

(6) is hired after June 30, 1979 as a public service employment program participant under the Federal Comprehensive Employment and Training Act and receives earnings in whole or in part from funds provided under that Act; or

(7) is employed on or after July 1, 1991 to perform services that are excluded by subdivision (a)(7)(f) or (a)(19) of Section 210 of the federal Social Security Act from the definition of employment given in that Section (42 U.S.C. 410) or

~~(8) participates in an optional program for part-time workers under Section 15-158.1.~~

(b) Any employer may, by filing a written notice with the board, exclude from the definition of "employee" all persons employed pursuant to a federally funded contract entered into after July 1, 1982 with a federal military department in a program providing training in military courses to federal military personnel on a military site owned by the United States Government, if this exclusion is not prohibited by the federally funded contract or federal laws or rules governing the administration of the contract.

(c) Any person appointed by the Governor under the Civil Administrative Code of the State is an employee, if he or she is a participant in this system on the effective date of the appointment.

(d) A participant on lay-off status under civil service rules is considered an employee for not more than 120 days from the date of the lay-off.

(e) A participant is considered an employee during (1) the first 60 days of disability leave, (2) the period, not to exceed one year, in which his or her eligibility for disability benefits is being considered by the board or reviewed by the courts, and (3) the period he or she receives disability benefits under the provisions of Section 15-152, workers' compensation or occupational disease benefits, or disability income under an insurance contract financed wholly or partially by the employer.

(f) Absences without pay, other than formal leaves of absence, of less than 30 calendar days, are not considered as an interruption of a person's status as an employee. If such absences during any period of 12 months exceed 30 work days, the employee status of the person is considered as interrupted as of the 31st work day.

(g) A staff member whose employment contract requires

services during an academic term is to be considered an employee during the summer and other vacation periods, unless he or she declines an employment contract for the succeeding academic term or his or her employment status is otherwise terminated, and he or she receives no earnings during these periods.

(h) An individual who was a participating employee employed in the fire department of the University of Illinois's Champaign-Urbana campus immediately prior to the elimination of that fire department and who immediately after the elimination of that fire department became employed by the fire department of the City of Urbana or the City of Champaign shall continue to be considered as an employee for purposes of this Article for so long as the individual remains employed as a firefighter by the City of Urbana or the City of Champaign. The individual shall cease to be considered an employee under this subsection (h) upon the first termination of the individual's employment as a firefighter by the City of Urbana or the City of Champaign.

(i) An individual who is employed on a full-time basis as an officer or employee of a statewide teacher organization that serves System participants or an officer of a national teacher organization that serves System participants may participate in the System and shall be deemed an employee, provided that (1) the individual has previously earned creditable service under this Article, (2) the individual files with the System an irrevocable election to become a participant, and (3) the individual does not receive credit for that employment under any other Article of this Code. An employee under this subsection (i) is responsible for paying to the System both (A) employee contributions based on the actual compensation received for service with the teacher organization and (B) employer contributions equal to the normal costs (as defined in Section 15-155) resulting from

that service; all or any part of these contributions may be paid on the employee's behalf or picked up for tax purposes (if authorized under federal law) by the teacher organization.

A person who is an employee as defined in this subsection (i) may establish service credit for similar employment prior to becoming an employee under this subsection by paying to the System for that employment the contributions specified in this subsection, plus interest at the effective rate from the date of service to the date of payment. However, credit shall not be granted under this subsection for any such prior employment for which the applicant received credit under any other provision of this Code, or during which the applicant was on a leave of absence under Section 15-113.2.

(Source: P.A. 90-448, eff. 8-16-97; 90-576, eff. 3-31-98; 90-766, eff. 8-14-98; 91-887, eff. 7-6-00.)

(40 ILCS 5/15-112) (from Ch. 108 1/2, par. 15-112)

Sec. 15-112. Final rate of earnings. "Final rate of earnings": For an employee who is paid on an hourly basis or who receives an annual salary in installments during 12 months of each academic year, the average annual earnings during the 48 consecutive calendar month period ending with the last day of final termination of employment or the 4 consecutive academic years of service in which the employee's earnings were the highest, whichever is greater. For any other employee, the average annual earnings during the 4 consecutive academic years of service in which his or her earnings were the highest. For an employee with less than 48 months or 4 consecutive academic years of service, the average earnings during his or her entire period of service. The earnings of an employee with more than 36 months of service prior to the date of becoming a participant are, for such period, considered equal to the average earnings during

the last 36 months of such service. For an employee on leave of absence with pay, or on leave of absence without pay who makes contributions during such leave, earnings are assumed to be equal to the basic compensation on the date the leave began. For an employee on disability leave, earnings are assumed to be equal to the basic compensation on the date disability occurs or the average earnings during the 24 months immediately preceding the month in which disability occurs, whichever is greater.

For a participant who retires on or after the effective date of this amendatory Act of 1997 with at least 20 years of service as a firefighter or police officer under this Article, the final rate of earnings shall be the annual rate of earnings received by the participant on his or her last day as a firefighter or police officer under this Article, if that is greater than the final rate of earnings as calculated under the other provisions of this Section.

If a participant is an employee for at least 6 months during the academic year in which his or her employment is terminated, the annual final rate of earnings shall be 25% of the sum of (1) the annual basic compensation for that year, and (2) the amount earned during the 36 months immediately preceding that year, if this is greater than the final rate of earnings as calculated under the other provisions of this Section.

In the determination of the final rate of earnings for an employee, that part of an employee's earnings for any academic year beginning after June 30, 1997, which exceeds the employee's earnings with that employer for the preceding year by more than 20 percent shall be excluded; in the event that an employee has more than one employer this limitation shall be calculated separately for the earnings with each employer. In making such calculation, only the basic compensation of employees shall be considered, without regard

to vacation or overtime or to contracts for summer employment.

The following are not considered as earnings in determining final rate of earnings: (1) severance or separation pay, (2) retirement pay, (3) payment for unused sick leave, and (4) payments from an employer for the period used in determining final rate of earnings for any purpose other than (i) services rendered, (ii) leave of absence or vacation granted during that period, and (iii) vacation of up to 56 work days allowed upon termination of employment; except that, if the benefit has been collectively bargained between the employer and the recognized collective bargaining agent pursuant to the Illinois Educational Labor Relations Act, payment received during a period of up to 2 academic years for unused sick leave may be considered as earnings in accordance with the applicable collective bargaining agreement, subject to the 20% increase limitation of this Section. Any unused sick leave considered as earnings under this Section shall not be taken into account in calculating service credit under Section 15-113.4.

Intermittent periods of service shall be considered as consecutive in determining final rate of earnings.

(Source: P.A. 91-887, eff. 7-6-00; 92-599, eff. 6-28-02.)

(40 ILCS 5/15-113.3) (from Ch. 108 1/2, par. 15-113.3)

Sec. 15-113.3. Service for periods of military service. "Service for periods of military service": Those periods, not exceeding 5 years, during which a person served in the armed forces of the United States, of which all but 2 years must have immediately followed a period of employment with an employer under this System or the State Employees' Retirement System of Illinois; provided that the person received a discharge other than dishonorable and again became an employee under this System within one year after discharge.

However, for the up to 2 years of military service not immediately following employment, the applicant must make contributions to the System equal to (1) 8% of at-the-rates provided-in-Section-15-157-based-upon the employee's basic compensation on the last date as a participating employee prior to such military service, or on the first date as a participating employee after such military service, whichever is greater, plus (2) an amount determined by the board to be equal to the employer's normal cost of the benefits accrued for such military service, plus (3) interest on items (1) and (2) at the effective rate from the later of the date of first membership in the System or the date of conclusion of military service to the date of payment. The change in the required contribution for purchased military credit made by this amendatory Act of 1993 does not entitle any person to a refund of contributions already paid. The contributions paid under this Section are not normal contributions as defined in Section 15-114 or additional contributions as defined in Section 15-115.

The changes to this Section made by this amendatory Act of 1991 shall apply not only to persons who on or after its effective date are in service under the System, but also to persons whose employment terminated prior to that date, whether or not the person is an annuitant on that date. In the case of an annuitant who applies for credit allowable under this Section for a period of military service that did not immediately follow employment, and who has made the required contributions for such credit, the annuity shall be recalculated to include the additional service credit, with the increase taking effect on the date the System received written notification of the annuitant's intent to purchase the credit, if payment of all the required contributions is made within 60 days of such notice, or else on the first annuity payment date following the date of payment of the

required contributions. In calculating the automatic annual increase for an annuity that has been recalculated under this Section, the increase attributable to the additional service allowable under this amendatory Act of 1991 shall be included in the calculation of automatic annual increases accruing after the effective date of the recalculation.

(Source: P.A. 90-65, eff. 7-7-97; 90-511, eff. 8-22-97.)

(40 ILCS 5/15-134) (from Ch. 108 1/2, par. 15-134)

Sec. 15-134. Participant.

(a) Each person shall, as a condition of employment, become a participant and be subject to this Article on the date that he or she becomes an employee, makes an election to participate in, or otherwise becomes a participant in one of the retirement programs offered under this Article, whichever date is later.

An employee who becomes a participant shall continue to be a participant until he or she becomes an annuitant, dies or accepts a refund of contributions, ~~except that a person shall not be deemed a participant while participating in an optional program for part-time workers established under Section 15-158.1.~~

(b) A person employed concurrently by 2 or more employers is eligible to participate in the system on compensation received from all employers.

(Source: P.A. 89-430, eff. 12-15-95; 90-65, eff. 7-7-97; 90-448, eff. 8-16-97; 90-655, eff. 7-30-98.)

(40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

Sec. 15-136. Retirement annuities - Amount. The provisions of this Section 15-136 apply only to those participants who are participating in the traditional benefit package or the portable benefit package and do not apply to participants who are participating in the self-managed plan.

(a) The amount of a participant's retirement annuity, expressed in the form of a single-life annuity, shall be determined by whichever of the following rules is applicable and provides the largest annuity:

Rule 1: The retirement annuity shall be 1.67% of final rate of earnings for each of the first 10 years of service, 1.90% for each of the next 10 years of service, 2.10% for each year of service in excess of 20 but not exceeding 30, and 2.30% for each year in excess of 30; or for persons who retire on or after January 1, 1998, 2.2% of the final rate of earnings for each year of service.

Rule 2: The retirement annuity shall be the sum of the following, determined from amounts credited to the participant in accordance with the actuarial tables and the prescribed rate of interest in effect at the time the retirement annuity begins:

(i) the normal annuity which can be provided on an actuarially equivalent basis, by the accumulated normal contributions as of the date the annuity begins; and

(ii) an annuity from employer contributions of an amount equal to that which can be provided on an actuarially equivalent basis from the accumulated normal contributions made by the participant under Section 15-113.6 and Section 15-113.7 plus 1.4 times all other accumulated normal contributions made by the participant; and

(iii) the annuity that can be provided on an actuarially equivalent basis from the entire contribution made by the participant under Section 15-113.3.

With respect to a police officer or firefighter who retires on or after August 14, 1998, the accumulated normal contributions taken into account under clauses (i) and (ii) of this Rule 2 shall include the additional normal contributions made by the police officer or firefighter under

Section 15-157(a).

The amount of a retirement annuity calculated under this Rule 2 shall be computed solely on the basis of the participant's accumulated normal contributions, as specified in this Rule and defined in Section 15-116. Neither an employee or employer contribution for early retirement under Section 15-136.2 nor any other employer contribution shall be used in the calculation of the amount of a retirement annuity under this Rule 2.

This amendatory Act of the 91st General Assembly is a clarification of existing law and applies to every participant and annuitant without regard to whether status as an employee terminates before the effective date of this amendatory Act.

Rule 3: The retirement annuity of a participant who is employed at least one-half time during the period on which his or her final rate of earnings is based, shall be equal to the participant's years of service not to exceed 30, multiplied by (1) \$96 if the participant's final rate of earnings is less than \$3,500, (2) \$108 if the final rate of earnings is at least \$3,500 but less than \$4,500, (3) \$120 if the final rate of earnings is at least \$4,500 but less than \$5,500, (4) \$132 if the final rate of earnings is at least \$5,500 but less than \$6,500, (5) \$144 if the final rate of earnings is at least \$6,500 but less than \$7,500, (6) \$156 if the final rate of earnings is at least \$7,500 but less than \$8,500, (7) \$168 if the final rate of earnings is at least \$8,500 but less than \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or more, except that the annuity for those persons having made an election under Section 15-154(a-1) shall be calculated and payable under the portable retirement benefit program pursuant to the provisions of Section 15-136.4.

Rule 4: A participant who is at least age 50 and has 25

or more years of service as a police officer or firefighter, and a participant who is age 55 or over and has at least 20 but less than 25 years of service as a police officer or firefighter, shall be entitled to a retirement annuity of 2 1/4% of the final rate of earnings for each of the first 10 years of service as a police officer or firefighter, 2 1/2% for each of the next 10 years of service as a police officer or firefighter, and 2 3/4% for each year of service as a police officer or firefighter in excess of 20. The retirement annuity for all other service shall be computed under Rule 1.

For purposes of this Rule 4, a participant's service as a firefighter shall also include the following:

(i) service that is performed while the person is an employee under subsection (h) of Section 15-107; and

(ii) in the case of an individual who was a participating employee employed in the fire department of the University of Illinois's Champaign-Urbana campus immediately prior to the elimination of that fire department and who immediately after the elimination of that fire department transferred to another job with the University of Illinois, service performed as an employee of the University of Illinois in a position other than police officer or firefighter, from the date of that transfer until the employee's next termination of service with the University of Illinois.

Rule 5: The retirement annuity of a participant who elected early retirement under the provisions of Section 15-136.2 and who, on or before February 16, 1995, brought administrative proceedings pursuant to the administrative rules adopted by the System to challenge the calculation of his or her retirement annuity shall be the sum of the following, determined from amounts credited to the participant in accordance with the actuarial tables and the

prescribed rate of interest in effect at the time the retirement annuity begins:

(i) the normal annuity which can be provided on an actuarially equivalent basis, by the accumulated normal contributions as of the date the annuity begins; and

(ii) an annuity from employer contributions of an amount equal to that which can be provided on an actuarially equivalent basis from the accumulated normal contributions made by the participant under Section 15-113.6 and Section 15-113.7 plus 1.4 times all other accumulated normal contributions made by the participant; and

(iii) an annuity which can be provided on an actuarially equivalent basis from the employee contribution for early retirement under Section 15-136.2, and an annuity from employer contributions of an amount equal to that which can be provided on an actuarially equivalent basis from the employee contribution for early retirement under Section 15-136.2.

In no event shall a retirement annuity under this Rule 5 be lower than the amount obtained by adding (1) the monthly amount obtained by dividing the combined employee and employer contributions made under Section 15-136.2 by the System's annuity factor for the age of the participant at the beginning of the annuity payment period and (2) the amount equal to the participant's annuity if calculated under Rule 1, reduced under Section 15-136(b) as if no contributions had been made under Section 15-136.2.

With respect to a participant who is qualified for a retirement annuity under this Rule 5 whose retirement annuity began before the effective date of this amendatory Act of the 91st General Assembly, and for whom an employee contribution was made under Section 15-136.2, the System shall recalculate the retirement annuity under this Rule 5 and shall pay any

additional amounts due in the manner provided in Section 15-186.1 for benefits mistakenly set too low.

The amount of a retirement annuity calculated under this Rule 5 shall be computed solely on the basis of those contributions specifically set forth in this Rule 5. Except as provided in clause (iii) of this Rule 5, neither an employee nor employer contribution for early retirement under Section 15-136.2, nor any other employer contribution, shall be used in the calculation of the amount of a retirement annuity under this Rule 5.

The General Assembly has adopted the changes set forth in Section 25 of this amendatory Act of the 91st General Assembly in recognition that the decision of the Appellate Court for the Fourth District in *Mattis v. State Universities Retirement System et al.* might be deemed to give some right to the plaintiff in that case. The changes made by Section 25 of this amendatory Act of the 91st General Assembly are a legislative implementation of the decision of the Appellate Court for the Fourth District in *Mattis v. State Universities Retirement System et al.* with respect to that plaintiff.

The changes made by Section 25 of this amendatory Act of the 91st General Assembly apply without regard to whether the person is in service as an employee on or after its effective date.

(b) The retirement annuity provided under Rules 1 and 3 above shall be reduced by  $1/2$  of 1% for each month the participant is under age 60 at the time of retirement. However, this reduction shall not apply in the following cases:

(1) For a disabled participant whose disability benefits have been discontinued because he or she has exhausted eligibility for disability benefits under clause (6) of Section 15-152;

(2) For a participant who has at least the number

of years of service required to retire at any age under subsection (a) of Section 15-135; or

(3) For that portion of a retirement annuity which has been provided on account of service of the participant during periods when he or she performed the duties of a police officer or firefighter, if these duties were performed for at least 5 years immediately preceding the date the retirement annuity is to begin.

(c) The maximum retirement annuity provided under Rules 1, 2, 4, and 5 shall be the lesser of (1) the annual limit of benefits as specified in Section 415 of the Internal Revenue Code of 1986, as such Section may be amended from time to time and as such benefit limits shall be adjusted by the Commissioner of Internal Revenue, and (2) 80% of final rate of earnings.

(d) An annuitant whose status as an employee terminates after August 14, 1969 shall receive automatic increases in his or her retirement annuity as follows:

Effective January 1 immediately following the date the retirement annuity begins, the annuitant shall receive an increase in his or her monthly retirement annuity of 0.125% of the monthly retirement annuity provided under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5, contained in this Section, multiplied by the number of full months which elapsed from the date the retirement annuity payments began to January 1, 1972, plus 0.1667% of such annuity, multiplied by the number of full months which elapsed from January 1, 1972, or the date the retirement annuity payments began, whichever is later, to January 1, 1978, plus 0.25% of such annuity multiplied by the number of full months which elapsed from January 1, 1978, or the date the retirement annuity payments began, whichever is later, to the effective date of the increase.

The annuitant shall receive an increase in his or her

monthly retirement annuity on each January 1 thereafter during the annuitant's life of 3% of the monthly annuity provided under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in this Section. The change made under this subsection by P.A. 81-970 is effective January 1, 1980 and applies to each annuitant whose status as an employee terminates before or after that date.

Beginning January 1, 1990, all automatic annual increases payable under this Section shall be calculated as a percentage of the total annuity payable at the time of the increase, including all increases previously granted under this Article.

The change made in this subsection by P.A. 85-1008 is effective January 26, 1988, and is applicable without regard to whether status as an employee terminated before that date.

(e) If, on January 1, 1987, or the date the retirement annuity payment period begins, whichever is later, the sum of the retirement annuity provided under Rule 1 or Rule 2 of this Section and the automatic annual increases provided under the preceding subsection or Section 15-136.1, amounts to less than the retirement annuity which would be provided by Rule 3, the retirement annuity shall be increased as of January 1, 1987, or the date the retirement annuity payment period begins, whichever is later, to the amount which would be provided by Rule 3 of this Section. Such increased amount shall be considered as the retirement annuity in determining benefits provided under other Sections of this Article. This paragraph applies without regard to whether status as an employee terminated before the effective date of this amendatory Act of 1987, provided that the annuitant was employed at least one-half time during the period on which the final rate of earnings was based.

(f) A participant is entitled to such additional annuity as may be provided on an actuarially equivalent basis, by any

accumulated additional contributions to his or her credit. However, the additional contributions made by the participant toward the automatic increases in annuity provided under this Section shall not be taken into account in determining the amount of such additional annuity.

(g) If, (1) by law, a function of a governmental unit, as defined by Section 20-107 of this Code, is transferred in whole or in part to an employer, and (2) a participant transfers employment from such governmental unit to such employer within 6 months after the transfer of the function, and (3) the sum of (A) the annuity payable to the participant under Rule 1, 2, or 3 of this Section (B) all proportional annuities payable to the participant by all other retirement systems covered by Article 20, and (C) the initial primary insurance amount to which the participant is entitled under the Social Security Act, is less than the retirement annuity which would have been payable if all of the participant's pension credits validated under Section 20-109 had been validated under this system, a supplemental annuity equal to the difference in such amounts shall be payable to the participant.

(h) On January 1, 1981, an annuitant who was receiving a retirement annuity on or before January 1, 1971 shall have his or her retirement annuity then being paid increased \$1 per month for each year of creditable service. On January 1, 1982, an annuitant whose retirement annuity began on or before January 1, 1977, shall have his or her retirement annuity then being paid increased \$1 per month for each year of creditable service.

(i) On January 1, 1987, any annuitant whose retirement annuity began on or before January 1, 1977, shall have the monthly retirement annuity increased by an amount equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

(Source: P.A. 91-887 (Sections 20 and 25), eff. 7-6-00;  
92-16, eff. 6-28-01.)

(40 ILCS 5/15-153) (from Ch. 108 1/2, par. 15-153)

Sec. 15-153. Disability benefits - Amount. The disability benefit shall be the greater of (1) 50% of the basic compensation which would have been paid had the participant continued in service for the entire period during which disability benefits are payable, excluding wage or salary increases subsequent to the date of disability or extra prospective earnings on a summer teaching contract or other extra service not yet entered upon or (2) 50% of the participant's average earnings during the 24 months immediately preceding the month in which disability occurs. In determining the disability benefit, the basic compensation of a participating employee on leave of absence or on lay-off status shall be assumed to be equal to his or her basic compensation on the date the leave of absence or lay-off begins.

If the disability benefit is 50% of basic compensation, payments during the academic fiscal year shall accrue over the period that the basic compensation would have been paid had the participant continued in service. If the disability benefit is 50% of the average earnings of the participant during the 24 months immediately preceding the month in which disability occurs, payments during the year shall accrue over a period of 12 months. Disability benefits shall be paid as of the end of each calendar month during which payments accrue. Payments for fractional parts of a month shall be determined by prorating the total amount payable for the full month on the basis of days elapsing during the month. Any disability benefit accrued but unpaid on the death of a participant shall be paid to the participant's beneficiary.

(Source: P.A. 84-1472.)

(40 ILCS 5/15-154) (from Ch. 108 1/2, par. 15-154)

Sec. 15-154. Refunds.

(a) A participant whose status as an employee is terminated, regardless of cause, or who has been on lay off status for more than 120 days, and who is not on leave of absence, is entitled to a refund of contributions upon application; except that not more than one such refund application may be made during any academic year.

Except as set forth in subsections (a-1) and (a-2), the refund shall be the sum of the accumulated normal, additional, and survivors insurance contributions, plus the entire contribution made by the participant under Section 15-113.3, less the amount of interest credited on these contributions each year in excess of 4 1/2% of the amount on which interest was calculated.

(a-1) A person who elects, in accordance with the requirements of Section 15-134.5, to participate in the portable benefit package and who becomes a participating employee under that retirement program upon the conclusion of the one-year waiting period applicable to the portable benefit package election shall have his or her refund calculated in accordance with the provisions of subsection (a-2).

(a-2) The refund payable to a participant described in subsection (a-1) shall be the sum of the participant's accumulated normal and additional contributions, as defined in Sections 15-116 and 15-117, plus the entire contribution made by the participant under Section 15-113.3. If the participant terminates with 5 or more years of service for employment as defined in Section 15-113.1, he or she shall also be entitled to a distribution of employer contributions in an amount equal to the sum of the accumulated normal and additional contributions, as defined in Sections 15-116 and 15-117.

(b) Upon acceptance of a refund, the participant forfeits all accrued rights and credits in the System, and if subsequently reemployed, the participant shall be considered a new employee subject to all the qualifying conditions for participation and eligibility for benefits applicable to new employees. If such person again becomes a participating employee and continues as such for 2 years, or is employed by an employer and participates for at least 2 years in the Federal Civil Service Retirement System, all such rights, credits, and previous status as a participant shall be restored upon repayment of the amount of the refund, together with compound interest thereon from the date the refund was received to the date of repayment at the rate of 6% per annum through August 31, 1982, and at the effective rates after that date. When a participant in the portable benefit package who received a refund which included a distribution of employer contributions repays a refund pursuant to this Section, one-half of the amount repaid shall be deemed the member's reinstated accumulated normal and additional contributions and the other half shall be allocated as an employer contribution to the System, except that any amount repaid for previously purchased military service credit under Section 15-113.3 shall be accounted for as such. ~~Notwithstanding--Section--1-103.1--and--the--other--provisions--of--this--Section,--a--person--who--was--a--participant--in--the--System--from--February--14,--1966--until--March--13,--1981--may--restore--credits--previously--forfeited--by--acceptance--of--a--refund,--without--returning--to--service,--by--applying--in--writing--and--repaying--to--the--System--by--July--1,--2002--the--amount--of--the--refund--plus--interest--at--the--effective--rate--calculated--from--the--date--of--the--refund--to--the--date--of--repayment.~~

(c) If a participant covered under the traditional benefit package has made survivors insurance contributions, but has no survivors insurance beneficiary upon retirement,

he or she shall be entitled to elect a refund of the accumulated survivors insurance contributions, or to elect an additional annuity the value of which is equal to the accumulated survivors insurance contributions. This election must be made prior to the date the person's retirement annuity is approved by the System Board-of-Trustees.

(d) A participant, upon application, is entitled to a refund of his or her accumulated additional contributions attributable to the additional contributions described in the last sentence of subsection (c) of Section 15-157. Upon the acceptance of such a refund of accumulated additional contributions, the participant forfeits all rights and credits which may have accrued because of such contributions.

(e) A participant who terminates his or her employee status and elects to waive service credit under Section 15-154.2, is entitled to a refund of the accumulated normal, additional and survivors insurance contributions, if any, which were credited the participant for this service, or to an additional annuity the value of which is equal to the accumulated normal, additional and survivors insurance contributions, if any; except that not more than one such refund application may be made during any academic year. Upon acceptance of this refund, the participant forfeits all rights and credits accrued because of this service.

(f) If a police officer or firefighter receives a retirement annuity under Rule 1 or 3 of Section 15-136, he or she shall be entitled at retirement to a refund of the difference between his or her accumulated normal contributions and the normal contributions which would have accumulated had such person filed a waiver of the retirement formula provided by Rule 4 of Section 15-136.

(g) If, at the time of retirement, a participant would be entitled to a retirement annuity under Rule 1, 2, 3, 4, or 5 of Section 15-136, or under Section 15-136.4, that exceeds

the maximum specified in clause (1) of subsection (c) of Section 15-136, he or she shall be entitled to a refund of the employee contributions, if any, paid under Section 15-157 after the date upon which continuance of such contributions would have otherwise caused the retirement annuity to exceed this maximum, plus compound interest at the effective rates. (Source: P.A. 91-887 (Sections 10 and 25), eff. 7-6-00; 92-16, eff. 6-28-01; 92-424, eff. 8-17-01.)

(40 ILCS 5/15-158.2)

Sec. 15-158.2. Self-managed plan.

(a) Purpose. The General Assembly finds that it is important for colleges and universities to be able to attract and retain the most qualified employees and that in order to attract and retain these employees, colleges and universities should have the flexibility to provide a defined contribution plan as an alternative for eligible employees who elect not to participate in a defined benefit retirement program provided under this Article. Accordingly, the State Universities Retirement System is hereby authorized to establish and administer a self-managed plan, which shall offer participating employees the opportunity to accumulate assets for retirement through a combination of employee and employer contributions that may be invested in mutual funds, collective investment funds, or other investment products and used to purchase annuity contracts, either fixed or variable or a combination thereof. The plan must be qualified under the Internal Revenue Code of 1986.

(b) Adoption by employers. Each employer subject to this Article may elect to adopt the self-managed plan established under this Section; this election is irrevocable. An employer's election to adopt the self-managed plan makes available to the eligible employees of that employer the elections described in Section 15-134.5.

The State Universities Retirement System shall be the plan sponsor for the self-managed plan and shall prepare a plan document and prescribe such rules and procedures as are considered necessary or desirable for the administration of the self-managed plan. Consistent with its fiduciary duty to the participants and beneficiaries of the self-managed plan, the Board of Trustees of the System may delegate aspects of plan administration as it sees fit to companies authorized to do business in this State, to the employers, or to a combination of both.

(c) Selection of service providers and funding vehicles. The System, in consultation with the employers, shall solicit proposals to provide administrative services and funding vehicles for the self-managed plan from insurance and annuity companies and mutual fund companies, banks, trust companies, or other financial institutions authorized to do business in this State. In reviewing the proposals received and approving and contracting with no fewer than 2 and no more than 7 companies, ~~at least 2 of which must be insurance and annuity companies,~~ the Board of Trustees of the System shall consider, among other things, the following criteria:

(1) the nature and extent of the benefits that would be provided to the participants;

(2) the reasonableness of the benefits in relation to the premium charged;

(3) the suitability of the benefits to the needs and interests of the participating employees and the employer;

(4) the ability of the company to provide benefits under the contract and the financial stability of the company; and

(5) the efficacy of the contract in the recruitment and retention of employees.

The System, in consultation with the employers, shall

periodically review each approved company. A company may continue to provide administrative services and funding vehicles for the self-managed plan only so long as it continues to be an approved company under contract with the Board.

(d) Employee Direction. Employees who are participating in the program must be allowed to direct the transfer of their account balances among the various investment options offered, subject to applicable contractual provisions. The participant shall not be deemed a fiduciary by reason of providing such investment direction. A person who is a fiduciary shall not be liable for any loss resulting from such investment direction and shall not be deemed to have breached any fiduciary duty by acting in accordance with that direction. Neither the System nor the employer guarantees any of the investments in the employee's account balances.

(e) Participation. An employee eligible to participate in the self-managed plan must make a written election in accordance with the provisions of Section 15-134.5 and the procedures established by the System. Participation in the self-managed plan by an electing employee shall begin on the first day of the first pay period following the later of the date the employee's election is filed with the System or the effective date as of which the employee's employer begins to offer participation in the self-managed plan. Employers may not make the self-managed plan available earlier than January 1, 1998. An employee's participation in any other retirement program administered by the System under this Article shall terminate on the date that participation in the self-managed plan begins.

An employee who has elected to participate in the self-managed plan under this Section must continue participation while employed in an eligible position, and may not participate in any other retirement program administered

by the System under this Article while employed by that employer or any other employer that has adopted the self-managed plan, unless the self-managed plan is terminated in accordance with subsection (i).

Participation in the self-managed plan under this Section shall constitute membership in the State Universities Retirement System.

A participant under this Section shall be entitled to the benefits of Article 20 of this Code.

(f) Establishment of Initial Account Balance. If at the time an employee elects to participate in the self-managed plan he or she has rights and credits in the System due to previous participation in the traditional benefit package, the System shall establish for the employee an opening account balance in the self-managed plan, equal to the amount of contribution refund that the employee would be eligible to receive under Section 15-154 if the employee terminated employment on that date and elected a refund of contributions, except that this hypothetical refund shall include interest at the effective rate for the respective years. The System shall transfer assets from the defined benefit retirement program to the self-managed plan, as a tax free transfer in accordance with Internal Revenue Service guidelines, for purposes of funding the employee's opening account balance.

(g) No Duplication of Service Credit. Notwithstanding any other provision of this Article, an employee may not purchase or receive service or service credit applicable to any other retirement program administered by the System under this Article for any period during which the employee was a participant in the self-managed plan established under this Section.

(h) Contributions. The self-managed plan shall be funded by contributions from employees participating in the

self-managed plan and employer contributions as provided in this Section.

The contribution rate for employees participating in the self-managed plan under this Section shall be equal to the employee contribution rate for other participants in the System, as provided in Section 15-157. This required contribution shall be made as an "employer pick-up" under Section 414(h) of the Internal Revenue Code of 1986 or any successor Section thereof. Any employee participating in the System's traditional benefit package prior to his or her election to participate in the self-managed plan shall continue to have the employer pick up the contributions required under Section 15-157. However, the amounts picked up after the election of the self-managed plan shall be remitted to and treated as assets of the self-managed plan. In no event shall an employee have an option of receiving these amounts in cash. Employees may make additional contributions to the self-managed plan in accordance with procedures prescribed by the System, to the extent permitted under rules prescribed by the System.

The program shall provide for employer contributions to be credited to each self-managed plan participant at a rate of 7.6% of the participating employee's salary, less the amount used by the System to provide disability benefits for the employee. The amounts so credited shall be paid into the participant's self-managed plan accounts in a manner to be prescribed by the System.

An amount of employer contribution, not exceeding 1% of the participating employee's salary, shall be used for the purpose of providing the disability benefits of the System to the employee. Prior to the beginning of each plan year under the self-managed plan, the Board of Trustees shall determine, as a percentage of salary, the amount of employer contributions to be allocated during that plan year for

providing disability benefits for employees in the self-managed plan.

The State of Illinois shall make contributions by appropriations to the System of the employer contributions required for employees who participate in the self-managed plan under this Section. The amount required shall be certified by the Board of Trustees of the System and paid by the State in accordance with Section 15-165. The System shall not be obligated to remit the required employer contributions to any of the insurance and annuity companies, mutual fund companies, banks, trust companies, financial institutions, or other sponsors of any of the funding vehicles offered under the self-managed plan until it has received the required employer contributions from the State. In the event of a deficiency in the amount of State contributions, the System shall implement those procedures described in subsection (c) of Section 15-165 to obtain the required funding from the General Revenue Fund.

(i) Termination. The self-managed plan authorized under this Section may be terminated by the System, subject to the terms of any relevant contracts, and the System shall have no obligation to reestablish the self-managed plan under this Section. This Section does not create a right to continued participation in any self-managed plan set up by the System under this Section. If the self-managed plan is terminated, the participants shall have the right to participate in one of the other retirement programs offered by the System and receive service credit in such other retirement program for any years of employment following the termination.

(j) Vesting; Withdrawal; Return to Service. A participant in the self-managed plan becomes vested in the employer contributions credited to his or her accounts in the self-managed plan on the earliest to occur of the following:

- (1) completion of 5 years of service with an employer

described in Section 15-106; (2) the death of the participating employee while employed by an employer described in Section 15-106, if the participant has completed at least 1 1/2 years of service; or (3) the participant's election to retire and apply the reciprocal provisions of Article 20 of this Code.

A participant in the self-managed plan who receives a distribution of his or her vested amounts from the self-managed plan while not yet eligible for retirement under this Article (and Article 20, if applicable) shall forfeit all service credit and accrued rights in the System; if subsequently re-employed, the participant shall be considered a new employee. If a former participant again becomes a participating employee (or becomes employed by a participating system under Article 20 of this Code) and continues as such for at least 2 years, all such rights, service credits, and previous status as a participant shall be restored upon repayment of the amount of the distribution, without interest.

(k) Benefit amounts. If an employee who is vested in employer contributions terminates employment, the employee shall be entitled to a benefit which is based on the account values attributable to both employer and employee contributions and any investment return thereon.

If an employee who is not vested in employer contributions terminates employment, the employee shall be entitled to a benefit based solely on the account values attributable to the employee's contributions and any investment return thereon, and the employer contributions and any investment return thereon shall be forfeited. Any employer contributions which are forfeited shall be held in escrow by the company investing those contributions and shall be used as directed by the System for future allocations of employer contributions or for the restoration of amounts

previously forfeited by former participants who again become participating employees.

(Source: P.A. 90-448, eff. 8-16-97; 90-576, eff. 3-31-98; 90-766, eff. 8-14-98; 91-887, eff. 7-6-00.)

(40 ILCS 5/15-186.1) (from Ch. 108 1/2, par. 15-186.1)

Sec. 15-186.1. Mistake in benefit. If the System mistakenly sets any benefit at an incorrect amount, it shall recalculate the benefit as soon as may be practicable after the mistake is discovered.

If the benefit was mistakenly set too low, the System shall make a lump sum payment to the recipient of an amount equal to the difference between the benefits that should have been paid and those actually paid, plus interest at the effective rate from the date the unpaid amounts accrued to the date of payment.

If the benefit was mistakenly set too high, the System may recover the amount overpaid from the recipient thereof, plus interest at the effective rate from the date of overpayment to the date of recovery, either directly or by deducting such amount from the remaining benefits payable to the recipient. However, if (1) the amount of the benefit was mistakenly set too high, and (2) the error was undiscovered for 3 years or longer, and (3) the error was not the result of incorrect information supplied by the affected member or beneficiary, then upon discovery of the mistake the benefit shall be adjusted to the correct level, but the recipient of the benefit need not repay to the System the excess amounts received in error.

(Source: P.A. 85-1008.)

(40 ILCS 5/15-187) (from Ch. 108 1/2, par. 15-187)

Sec. 15-187. Felony conviction. None of the benefits provided under this Article shall be paid to any person who

is convicted of any felony relating to or arising out of or in connection with the person's service as an employee.

This Section shall not operate to impair any contract or vested right heretofore acquired under any law or laws continued in this Article, nor to preclude the right to a refund. No refund paid to any person who is convicted of a felony relating to or arising out of or in connection with the person's service as an employee shall include employer contributions or interest or, in the case of the self-managed plan authorized under Section 15-158.2, any employer contributions or investment return on such employer contributions.

All persons entering service subsequent to July 9, 1955 shall be deemed to have consented to the provisions of this Section as a condition of coverage.

(Source: P.A. 83-1440.)

(40 ILCS 5/15-190) (from Ch. 108 1/2, par. 15-190)

Sec. 15-190. Persons under legal disability. If a person is under legal disability when any right or privilege accrues to him or her under this Article, a guardian may be appointed pursuant to law, and may, on behalf of such person, claim and exercise any such right or privilege with the same force and effect as if the person had not been under a legal disability and had claimed or exercised such right or privilege.

If a person's application for benefits or a physician's certificate on file with the board shows that the person is under a legal disability, ~~and no guardian has been appointed for his or her estate,~~ the benefits payable under this Article may be paid (1) directly to the person under legal disability, (2) to any person who has legally qualified and is acting as guardian of the property of the person under legal disability, (3) to either parent of the person under legal disability or any adult person with whom the person

under legal disability may at the time be living, provided only that such parent or adult person to whom any amount is to be paid shall have advised the board in writing that such amount will be held or used for the benefit of the person under legal disability, or (4) ~~(3)~~ to the trustee of any trust created for the sole benefit of the person under legal disability while that person is living, provided only that the trustee of such trust to whom any amount is to be paid shall have advised the board in writing that such amount will be held or used for the benefit of the person under legal disability. The system shall not be required to determine the validity of the trust or any of the terms thereof. The representation of the trustee that the trust meets the requirements of this Section shall be conclusive as to the system. The written receipt of the person under legal disability or the other person who receives such payment shall be an absolute discharge of the system's liability in respect of the amount so paid.

(Source: P.A. 90-65, eff. 7-7-97; 90-511, eff. 8-22-97.)

Section 99. Effective date. This Act takes effect upon becoming law.